

passing out of tariff cuts, as was successfully achieved under the FTA.

The ministers also agreed to a single set of rules of origin, kept as simple as possible, that would ensure that the three participating countries are indeed the ones benefiting from this agreement.

To achieve these objectives, the ministers agreed to maintain close and effective political management over the negotiations. A further meeting was held in Seattle, in August, and the next one comes up later this month in Zacatecas, Mexico. In the meantime, Chief Negotiators have also held three meetings -- in Washington, in July; in Mexico City, in August; and last week, in Ottawa.

The negotiations are taking place in six major negotiating groups: market access, trade rules, services, investment, intellectual property and dispute settlement. In addition, more detailed negotiations are being held in some 20 subgroups to give each country the opportunity to examine individual issues in depth. To date, most negotiating groups have met five times, their meetings rotating among the three countries.

The detailed negotiations have made important progress during the summer. The work on tariffs and non-tariff barriers, the traditional core of any trade agreement, is well advanced. On September 18, as agreed previously, the three countries exchanged initial tariff removal proposals. This in itself is indicative of how well the talks are progressing. It is also, from the perspective of the businesses in the three countries who were consulted on these proposals, a positive sign that the negotiations are taking into account their specific interests. The gradual tariff phase-out gives them time for positive strategic planning.

Negotiators have also initiated a chapter-by-chapter review of the rules of origin in the Canada-U.S. FTA to determine if changes are required to meet the specific conditions of a trilateral agreement. Effective rules of origin are central to ensuring that the benefits of the FTA flow primarily to the NAFTA partners.

The next stage of the negotiations will see the development of texts which may be exchanged by the end of this month. These would be very preliminary documents, but they should help to focus and co-ordinate the discussions in the more specific negotiating groups.

Now let me outline Canada's main objectives in the NAFTA negotiations.